> "Putin appears to have more in common with Brezhnev than with his more decisive predecessors. Khrushchev, Gorbachev, and Yeltsin risked their positions in attempts to de-Stalinize the Soviet Union. . . . Putin's rule seems to be more pause than reform, which is, incidentally, what the public wants."

The Russian Economy: Putin's Pause

JAMES R. MILLAR

Last year the Russian economy turned in its best performance since 1992, when radical reforms were introduced by President Boris Yeltsin and Deputy Prime Minister Yegor Gaidar. GDP grew by more than 8 percent. Inflation was modest, less than 20 percent, and official reserves of gold and hard currency increased from about $13 billion to $28 billion. The recovery from the financial crisis of 1998—when Russia defaulted on its domestic and foreign debt and devalued the ruble—is attributable in the main to an increase in the price of oil exports, the favorable effect of the ruble's devaluation on domestic industry, and the negative impact of higher prices on imports.

The recovery has continued into 2001, but at a slower rate. Real average wages, however, increased 7.8 percent in 2000 and another 25.9 percent in the first half of 2001. Real wages remain almost 20 percent below the 1998 level, and the benefits provided by the cheaper ruble continue to diminish. Moreover, another oil price boost is highly unlikely (a decline is more probable). In fact, recently Russia has been increasing oil production and exports, thereby undercutting OPEC attempts to maintain the world market price of oil products.

Putin can view economic developments with some satisfaction, but the price of oil is not controlled by Russia and cannot be credited to the Putin government. Nor was the devaluation on Putin's watch. There is no assurance, therefore, that the relatively happy current state of the economy can be sustained for long. Economics has not been given high priority on Putin's action list. The promotion of domestic and foreign investment is critical if Russia is to sustain an acceptable rate of growth and modernize the economy. Progress toward these goals is not likely to be achieved until reforms in corporate governance, secure legal protections of property rights, shelter from economic corruption and predation, and rational land-tenure systems are established. Admittedly, none of these will be easy to accomplish in Russia, but progress has been much slower than is necessary to avoid a decline in growth rates and stagnation in industrial modernization.

Putin's main efforts have been devoted to attaining political stability, maintaining the territorial and political integrity of Russia, projecting Russia's influence into the former Soviet republics and allies, and reestablishing domestic *poryadok*, or order. Of these goals, domestic order appears to have priority, as might be expected from a former KGB officer. The pursuit of *poryadok* has caused a significant degree of apprehension within the ranks of the democratic forces in Russia and abroad that Putin aims to undermine Russia's fragile democracy and establish an autocratic state. Putin has focused in his first two years more on accumulating power than on exercising it—a sign of insecurity in a leader who, above all else, intends to remain in power. Is there a real possibility that Putin could reestablish a variant of Stalinism and, with it, a return to central planning? The answer lies in an examination of the fundamental long-run trends in Soviet-Russian history.

Vladimir Putin has inherited from Nikita Khrushchev, Mikhail Gorbachev, and Boris Yeltsin an intermittent but consistent policy of de-Stalinizing the Soviet social system. His actions and prospects for action are necessarily constrained by these prior efforts. A Putin seeking to be Stalin would be the farce to the Stalinist tragedy. It would be a mistake, therefore, to evaluate Putin's ambitions and prospects in the light of Yeltsin's heritage alone. The stage for de-Stalinization was set by Khrushchev. Gorbachev played Hamlet. And Yeltsin brought down the cur-

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tain. To paraphrase Marx, these men made history, but they did "not make it just as they pleased." Things turned out quite differently than any of them expected. Let us examine what this tradition portends for the new Russian president.

NIKITA KHRUSHCHEV'S DYNAMISM. . .

After a brief struggle for power following Stalin's death, Khrushchev revealed himself a determined reformer of the system he had inherited. Indeed, the years of Khrushchev's rule were ones of optimism and high confidence in the future of Soviet socialism. The Soviet consumer experienced a rising standard of living. The camps of the gulag began to empty, and, although fear was not eliminated from private lives, it was diminished significantly—especially the fear of massive repression. Soviet industry was growing apace. The space program had great successes, and Soviet science prospered generally.

Nikita Khrushchev was clearly a true believer in the promise of socialism and its ultimate victory over capitalism. It was just a matter of time. However, all was not well. Stalin's legacy of repression threatened elite party members as well as the general population. Khrushchev sought through his reforms to end the terror, to revitalize and purify the Communist Party, and to invigorate the economy. But Khrushchev's expectations were dashed by reality. His economic reforms produced short-term gains, but failed to ensure sustained growth. Numerous attempts were made to improve the incentive system for enterprise managers and workers.

Khrushchev's attempt to invigorate agricultural production also failed. This failure is a case study in the irrationality of Soviet economic thinking. The "virgin lands" program expanded cultivation, especially of grains, by one-third. The idea was to expand the production of feed grains so that livestock herds and thus meat consumption could be greatly increased. Grain production did grow, but only in the short run. A large portion of the land brought under cultivation could not be maintained, and was abandoned at great cost. One of Khrushchev's last acts was to authorize the import of grain from the United States and other Western countries to support the larger herds of beef animals. But it would have been more rational for the Soviet Union to import meat directly, since genetically superior American and European animals converted grain into meat much more efficiently than Soviet herds.

Khrushchev was removed from power in a palace coup in October 1964, and the impetus to reform diminished rapidly thereafter. His most lasting impact, however, was to initiate the process of de-Stalinization at the Twentieth Party Congress in 1956. He sought to undercut political opponents and disassociate the Communist Party of the Soviet Union (CPSU) from the worst of Stalin's crimes. Criticism of Stalin was limited to the years after 1934. Achievements, such as collectivization and the rapid industrialization drive, remained off limits to serious criticism until well into the Gorbachev era. This was partly to protect Khrushchev and his colleagues from complicity in Stalin's crimes, but it also affirmed the principal institutions of the Soviet system: central planning; emphasis on heavy industry, collectivized agriculture, and comprehensive state ownership; and management of productive assets. This was the core of Soviet socialism, and Khrushchev did not intend to undercut it. He hoped instead to change priorities more in favor of the consumer and to attain a rate of GDP growth that would allow Russia to catch up with the United States before the end of the twentieth century.

BREZHNEV'S STAGNATION. . .

The embarrassing outcome of the Cuban missile crisis and the perception that Khrushchev was pursuing too many "hare-brained" domestic reform projects and destabilizing the party bureaucracy led to the 1964 palace coup. Khrushchev's successors, Leonid Brezhnev and Alexei Kosygin, and then Brezhnev alone, did not continue the reform effort with the same vigor as Khrushchev. The CPSU and its leadership lapsed into a bureaucratic, self-satisfied, and self-rewarding pattern of behavior. The Brezhnev years have rightly been labeled the era of stagnation. The leadership aged, and the legitimacy of the party was badly eroded. Meanwhile, the economy suffered a loss of dynamism, with most economic indicators beginning to show declining rates of growth in the mid-1970s. The downward trend continued into the 1980s and confronted Brezhnev's successors with stark alternatives. They could allow a very slow rate of economic growth to continue and abandon the goal that Khrushchev had set of "catching and surpassing" the United States in economic power, or they would have to carry out wide-ranging and deep economic reforms to restore the rates of growth that the Soviet Union achieved in the 1950s and 1960s.

MIKHAIL GORBACHEV'S GAMBLE

Mikhail Gorbachev and his political allies viewed themselves as "children of the Twentieth Party Congress." They were young men at the time of

Khrushchev's anti-Stalin speech, which left an indelible mark on their political consciousness. In this sense, Gorbachev's policies of perestroika and glasnost are rooted in Khrushchev's reforms. In introducing these policies, Gorbachev had no intention of undermining the planned economy or the CPSU. Gorbachev and his circle of advisers genuinely believed that an adjustment here, an improvement there, and a limited opening of the economy to market forces could gradually improve economic performance and strengthen the party. It is true that Gorbachev used the word "revolution" early on in his speeches, but it is also perfectly clear that he did not have a real revolution in mind. However, as he ran into resistance and unanticipated fragmentation of the Soviet empire, his reform efforts became more frantic and ambiguous. In the end, glasnost led to the repudiation of the party as the sole repository of political power; perestroika brought about the collapse of the system of central planning and a decline in economic performance; "democratization" fostered ethnic separatism; and the "new thinking" in foreign policy led to a rollback of communism in Eastern Europe. In each case, developments outdistanced the expectation of the reformers and careened out of central control.

Yeltsin plunged where Gorbachev had hesitated—perhaps with good reason.

Gorbachev was more successful initially in controlling the transformation of the political process. No doubt this reflected his greater skill and interest in the art of political maneuver and the fact that political processes depend so much on personal relations and personality, at which Gorbachev excelled. Reforming the economy proved more intractable than political liberalization because the distribution of gains and losses that economic reform entailed were much more diffuse and uncertain than those associated with the redistribution of political power. Almost everyone had something to lose, whether it was privileged access to scarce quality goods and services, job security, or personal savings. At the same time, possible gains had to be viewed as highly uncertain and therefore were highly discounted. It was naturally much more difficult to establish a consensus on the economy with the public or the elite, which was divided also on ideological grounds. Soviet analyst Ed Hewett wrote in November 1989 that "Mikhail Gorbachev is writing a textbook on the political economy of transition—the first textbook of its kind."[1] Unfortunately for Gorbachev, the text had an unhappy ending.

The critical turning point for Gorbachev on economic reform came in mid-1990, when he rejected the radical plan by academician S. S. Shatalin to convert the Soviet economy into a market-oriented economy in 500 days. Although patently unrealistic, the Shatalin plan crystallized as no previous document had the fundamental issues confronting economic reform. "They want to take a gamble," Gorbachev said of the plan. "Let everything be thrown open tomorrow. Let market conditions be put in place everywhere. Let's have free enterprise and give the green light to all forms of ownership. Let everything be private. Let us sell the land, everything. I cannot support such ideas, no matter how decisive and revolutionary they might appear. These are irresponsible ideas, irresponsible!"

The Shatalin plan assumed that political power would rest ultimately with the constituent republics of the Soviet Union. All Kremlin powers would be derivative, and its economic base would depend on the revenues and authority the republics decided to cede to the central government. The Shatalin plan assumed that all forms of property would stand on a completely equal footing in the new economy. No legal distinction would be made for socialist property. The Shatalin plan also called for the complete dismantling of the institutions of central planning. Acceptance of the Shatalin plan would have meant that Gorbachev was prepared to assent to the possible dissolution of the Soviet Union and to abandon belief in the superiority of socialist property and of socialism itself.

This was more than Gorbachev could bear, and it was the end of Gorbachev the reformer. Reform was spinning out of control and threatening to become revolution. Henceforth, from the end of 1990 Gorbachev shunned all reforms, even quite modest forms, and instead sought economic and political stability, including preserving the union against separatist ethnic forces. As a child of the Twentieth Party Congress, he could not be Stalin. His few attempts at repression were too weak and failed. But he could not abandon Soviet socialism or the Soviet Union. Gorbachev's reform objective had been much more modest and conservative. His first economics minister, Abel Aganbegyan, best

[1]Ed Hewett, "Is Soviet Socialism Reformable?" The Ernest Struc Memorial Lecture, Johns Hopkins School of International Affairs, November 8, 1989, p. 2.

expressed it: "Perestroika must carry Soviet society to a qualitatively new state, when thanks to the advantages of socialism we will surpass the capitalist countries in productivity, and other indicators of cost-effectiveness, in quality of production and the level of technology."[2]

Gorbachev clearly had the same goal as Khrushchev. When it could not be achieved without abandoning socialism, Gorbachev was stymied. Indecision led ultimately to the failed coup by party hard-liners in August 1991 and the rise to full power of Boris Yeltsin.

Gorbachev's place in history is secure, however, because he thoroughly de-Stalinized Soviet society. He took Soviet society back as nearly as the arrow of time permits to the origins of the Stalinist system, back essentially to Vladimir Lenin's New Economic Policy of the 1920s. The year 1934 no longer remained the limit for criticism of Soviet institutions. In attacking the central economic ministries and proposing substantial, if still restricted, private ownership of productive assets, retail outlets, and dachas (vacation homes), he had moved well beyond Khrushchev, albeit not as far as his erstwhile radical economic advisers wanted. In this sense Gorbachev was a true heir to the Twentieth Party Congress.

Gorbachev did take one enormous step that Khrushchev would not. Although Khrushchev was a reformer, he was not prepared to lose the postwar empire. Thus he put down the 1953 disturbance in East Germany, crushed the 1956 Hungarian revolution, and built the Berlin Wall in 1961. Gorbachev's "new thinking" in foreign policy allowed him to disassociate domestic reform from maintenance of Soviet power in Eastern Europe, a connection over which domestic reform had repeatedly stumbled. The Brezhnev doctrine's insistence on the immutability of the Soviet bloc—and the threat of Soviet intervention to maintain it—was abandoned and the consequences accepted, even though they turned out much more definitive and anti-Soviet than Gorbachev and his ministers anticipated.

Boris Yeltsin's Shock Therapy

On August 19, 1991, Mikhail Gorbachev was made a prisoner in his villa in the Crimea, where he had gone to vacation. His arrest came at the orders of the "State Emergency Committee," eight highly placed party and military men who intended to carry out a coup against the Gorbachev government. The committee sought to halt the reform process, to forestall opening the Soviet Union to the global economy, to restore to the Communist Party control of politics, and to preserve the command economy. Within 48 hours the coup had failed and the members of the Emergency Committee were in disgrace. James Billington, the Librarian of Congress, was in Moscow during those days and present also at the Russian White House, where the decisive defeat of the coup took place. He recently reminisced that the coup "hasn't been adequately explained since. After all, most of the five and a half million people in uniform, the largest uniformed force at one command in the history of the world, was stared down by 150 armed people in the Russian White House."[3]

The coup elevated Yeltsin to unanticipated political heights. The image of Boris Yeltsin standing defiantly on a tank in front of the White House remains the prime emblem of the resistance to the coup plotters. As president of the Russian republic, the largest and most important in the Soviet Union, Yeltsin was in a position to take political advantage of the failed coup. He was unique among experienced Soviet party officials in two respects. He had been a strong supporter of perestroika and glasnost as party chief for Moscow and as a member of the Politburo, but he had become alienated from Gorbachev and the Communist Party as a result of political differences. Dismissal from his positions of power and authority had led Yeltsin to an emotional breakdown and, in the end, repudiation of the Communist Party of the Soviet Union. As a result he had no brief for the party and was prepared to destroy it. Second, as president of the Russian republic, he was willing to break up the Soviet Union in league with other republic leaders. Yeltsin's own self-interest, then, was consistent with the final and complete destruction of the Soviet Union and the Stalinist social system. The factors that caused Gorbachev to hesitate in the face of radical reform did not deter Yeltsin from bringing the final curtain down on Soviet communism and the Soviet state.

Yeltsin sought a radical economist who would thoroughly undermine the command economy, which was teetering on the brink of collapse. Inflation was soaring, the stores were empty, and the federal budget was out of control. Under the influence of Yegor Gaidar and several Western economic advisers, Yeltsin was persuaded to introduce what

[2]Abel Aganbegyan, *The Economic Challenge of Perestroika* (Bloomington: Indiana University Press, 1988), p. 226.

[3]Johnson's Russia List, no. 5403 (August 23, 2001) <www.cdi.org/russia/johnson>.

is known as "shock therapy" in January 1992.[4] His advisers assured him that the economy would decline sharply as prices were freed from controls and central planning abandoned, but an upturn could be expected in nine months. The close kinship of shock therapy to the Shatalin plan is obvious, but the latter was actually better reasoned and structured and also more gradual. Yeltsin plunged where Gorbachev had hesitated—perhaps with good reason. It took almost nine years for the economy to turn up again, not nine months.

The economic depression Russia experienced during those years was deeper and more devastating than any in recorded peacetime history. In the process the basic institutions of the Stalinist model of the Soviet economy, which were created in the crucible years of 1928 to 1932, were completely abandoned. These institutions formed a true system in the sense that each component depended on all the rest. They consisted of the five-year plan; centrally set, hyperambitious, physical-quantity monthly and annual targets; central supply allocation of priority commodities and services; collective and state farms; strict controls over labor and residential mobility; heavy reliance on welfare entitlements and subsidized consumption; egalitarianism in wage policy; and special incentives for members of the elite. Before the end of 1992, these institutions had disappeared. It is highly unlikely that a combination of similar institutions could ever be restored in Russia. Yeltsin also abolished the Soviet Communist Party and confiscated its assets. It reappeared subsequently, but only in much modified form as one political party among many.

Russia has little choice in the long run other than to join the world economy,

The severely negative economic consequences of shock therapy for most Russian citizens soured the majority on market reform and created political opposition to further reforms in the Duma and in the various republics within Russia. As a result, the process of creating new market institutions under Yeltsin was fraught with obstacles, and the process remained incomplete when he passed power to Vladimir Putin in 1999.

Today many large-scale industries have been privatized, but many also remain either state owned or partly state-owned and dominated by the state. Privatization created a very small class of very wealthy individuals (known as the oligarchs), and a very large portion of the population became destitute. Market institutions are generally in place, but many need regulation or restructuring. The banking system remains weak and requires reform. Investment opportunities in Russia are so few and so risky that foreign capital fears to enter and domestic capital takes flight. However, the central bank and the state budget are now operating with greater sophistication, and, as mentioned earlier, export earnings, principally from oil, and the cheap ruble have stimulated the economy to its best performance in nearly a decade. Much remains to be done to turn the Russian economy into a market economy that can produce sustained growth and satisfactory performance.

CONTINUITY AND CHANGE: PUTIN'S OPTIONS

The continuity of policy from Khrushchev through Gorbachev to Yeltsin—both in what they attempted and what they avoided—is clear. It is also obvious that they unmade the Bolshevik Revolution: the Soviet Union, as it once was, cannot be put back together again by Putin or anyone else. Putin can be taken at his word when he states that he seeks "firm and economically supported state stability." That does not, of course, rule out autocracy, but it does imply a conservative approach to further economic reform—that those efforts will be incremental and based on consensus. It is also consistent with stagnation as a reaction to the hectic series of changes and mistakes that have characterized the last decade or so, just as Brezhnev sought stability and found stagnation following Khrushchev's riot of reforms.

During the difficult early days of shock therapy, a Russian babushka was interviewed on television. The interviewer asked what she hoped would happen. "All we want," she said, "is to live in a normal economy like everyone else in the world." What did she mean by a "normal economy"? It can be defined as an economy in which the everyday citizen can form reasonably assured expectations of the future. That means an economy where personal savings decisions can be made with the confidence that they will not be eroded by inflation or confiscated by the state; one in which daily necessities are available in stores all day, every day; where employment will not fluctuate wildly; and where plans can be made for the more distant future, such as for children's education or retirement, with reasonable

[4] Yegor Gaidar, *Days of Defeat and Victory* (Seattle: University of Washington Press, 1999).

certitude. The Russian economy today approximates the normal economy the babushka wished for, but it remains highly sensitive to volatile global raw material prices, especially for oil, and it is not attracting the domestic and international capital investment at the rate required to ensure sustained economic growth. To achieve these ends additional reforms are necessary, but they need not be made in a radical fashion. The greater danger is that in the quest for political stability and presidential tenure, Putin will fail to achieve the reforms necessary to sustain a normal level of economic performance.

Yeltsin's commitment to economic reform was never constant, and it diminished during his erratic and increasingly autocratic rule. Sixty years of central planning would be difficult to overcome without the greatest determination and consistency, so it is not surprising the Russia remains stuck halfway to market reform. Vladimir Putin continues to be something of a mystery. Is he a cautious but ultimately determined reformer seeking step-by-step reform based on consensus with the Duma and the population at large? A recent statement by Putin on Russia Day, a celebration of 10 years as a republic, might be interpreted in this way: "Everything we endured over the past decade, all our experiences, successes and failures, show one thing: any reform only makes sense when it serves the people."

Or is Putin primarily concerned with maximizing political power to maintain his position? Putin has talked like a true reformer, but his actions have been more ambiguous. His presidency has benefited from two windfalls: the relatively high price of oil and the devaluation of the ruble. Unfortunately, he has not used this breathing space to push economic reform vigorously. He has been more concerned with hushing up critics, burnishing his image, and projecting Russian influence in the former Soviet republics, among old Soviet allies in the Middle East and East Asia, and on the world scene. With a few exceptions the oligarchs remain in place, economic and bureaucratic corruption and crime are almost untouched, and capital flight continues unabated.

More problematic, no single systematic economic program is in place. In fact, two distinct programs have been circulating at the highest levels of the Russian government. The plan that has received the most attention was prepared under the auspices of Minister of Economic Development and Trade German Gref. Prime Minister Mikhail Kasyanov reportedly adopted it in June 2000, but it still has not been made operational. The Gref plan prescribes developments through the year 2010 and has undergone countless revisions and amendments. In this respect it has certain earmarks of Soviet-era five-year plans, and it may meet the same fate: to be announced with great fanfare and then forgotten. One of Putin's other prominent economic advisers, Andre Illarionov, has harshly criticized it as insufficiently reformist (read liberal) and unrealistic. Perhaps the Gref plan is being used as a general guideline for economic policy, although the public cacophony of voices from a variety of economic advisers and policymakers makes that doubtful. Economic policy seems to be made on an ad hoc basis—when it is made consciously at all. One thing is clear: Putin's economic policies have been anything but bold, coherent, and decisive.

The other plan, also prepared at Putin's insistence, has yet to be published officially. It was reportedly drawn up under the auspices Viktor Ishayev, the governor of Khabarovsk, by a group of "leading economists." Entitled "Strategy for Development of the State to the Year 2010," the plan was presented to the Russian State Council in November 2000.[5] Although billed as a "supplement" to the Gref plan, reports indicate that it is axiomatically different and cannot be reconciled with it. According to Jonathan Tennenbaum of the *Executive Intelligence Review,* the document is based on the views of the nineteenth-century German economist Friedrich List and Russia's own nineteenth-century economist and prime minister, Sergei Witte. But the plan recalls more vividly the Soviet practice of resource mobilization. This approach requires a strong state and a leading role for the state in the mobilization process. This is necessary, the report claims, because the middle class in Russia is not large enough to generate the savings required to achieve a significant breakthrough to high rates of growth. Without high rates of growth, the standard of living for the great mass of the population cannot be elevated sufficiently.

The document goes on to give the state primary responsibility for the direction of investment. The state is also to judge investment opportunities not on the basis of profitability but in terms of the benefit of an industry and its products to the economy as a whole, whatever that means.

The Ishayev plan naturally brings to mind Stalin's program of forced industrialization in the 1930s and can be read as calling for the creation of "capitalism in one country," that is, building a modern

[5]Jonathan Tennenbaum, "The Ishayev Report: An Economic Mobilization Plan for Russia," *Executive Intelligence Review,* vol. 28, no. 9 (March 2, 2001).

economy depending entirely or mainly on internal sources. It is not a plan that relies on market institutions, and it appears to shun foreign investment. The changes it calls for in the banking system, investment policy, wage policy, and so forth represent an implicit restoration of the institutions of Soviet central planning. If attempted, the outcome would be either a tragedy or a farce.

According to reports, President Putin has asked to have the Gref and Ishayev plans integrated (harmonized), but this will be an impossible task because they rest on different and irreconcilable foundations. Once again, Putin may be simply postponing a decision on differing courses of action. Or perhaps he simply does not understand economics and the different ramifications of the two plans. In this case, he would be avoiding a decision because he cannot be confident of the outcome, and, if so, he resembles Gorbachev in the last years of his reign, who could neither move back to Stalinist methods nor forward to the possible abandonment of socialism. Of course Putin may simply be acting as a typical bureaucrat in the absence of decisive instructions from above. If so, this is not a promising outlook for successful economic reform in Russia under Putin: no one is available to give them.

WHICH COURSE?

Viewed in historical perspective, Putin appears to have more in common with Brezhnev than with his more decisive predecessors. Khrushchev, Gorbachev, and Yeltsin risked their positions in attempts to de-Stalinize the Soviet Union. Putin cannot reverse that long historical process. It would take an ideology, a mass party, and a fearless sense of purpose, none of which exists today. The long process of bringing the Soviet Union, and then Russia, back into the world economy has featured radical changes and long pauses with some backtracking. Putin's rule seems to be more pause than reform, which is, incidentally, what the public wants.

Although Russia is not a candidate for accession to the European Union, the institutional structure of the EU can be expected to shape Russian economic and legal institutions substantially. The EU is already an important trading partner and likely to become increasingly important over time, if only because Russia is such a critical source of energy supplies to Europe. Russia also trades with East-Central Europe, and many of this region's countries are on the path to EU accession or hope to be in the near future. The EU has spelled out just what a country must do to harmonize its institutions with those of Europe. Russia is certain to be influenced both directly and indirectly to do the same. This is the most optimistic outlook for the future of capitalism in Russia in the next decade regardless of who is president.

It does not necessarily follow that the market economy that is developing in Russia will be any more successful than many other late-developing market economies, such as Brazil, Mexico, or Argentina. Stop-and-go economic policies have been endemic in much of Latin America and elsewhere because economic reform runs into resistance both from the public and from the elite members of society. The adverse consequences of stopping reform eventually generate another round of reform, which, in turn, generates public resistance. Escaping from this circular process of reform and reaction is Russia's challenge. Catching up with the developed economies, or even catching up with the more successful economies of East-Central Europe, is not likely in the foreseeable future. Instability in the global economy may pose problems also. As Marie Lavigne concludes in her popular textbook, *The Economics of Transition,* "The countries in transition do know where they want to go. We are all in the same boat; we know how to make it float but we don't know how to steer it."[6] Russia has yet to decide definitively where it wants to go, but it has little choice in the long run other than to join the world economy in the "boat." The alternative, autarky, failed miserably. ■

[6]Marie Lavigne, *The Economics of Transition: From Socialist Economy to Market Economy* (New York: St. Martin's Press, 1999), p. 280.